

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 IO-10 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 PA-01 PRS-01 /086 W

----- 045227

R 122228Z AUG 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 4344

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY MEXICO CITY

AMEMBASSY MONTEVIDEO

AMEMBASSY PORT OF SPAIN

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ALL OTHER AREA EMBASSIES BY MAIL

EO 11652: N/A

TAGS: EFIN, ECLA, CI

SUBJECT: LATIN AMERICAN SAFETY NET

REF: (A) SANTIAGO 5130; (B) SANTIAGO 5270 NOTAL

1. EMBASSY POUCHED ECLA PUBLICATION E/CEPAL/1009 "POSSIBLE FEATURES OF A FINANCIAL SAFETY NET FOR LATIN AMERICA" TO DEPARTMENT ON AUGUST 11 (IO/CMD-ATTN: BIRNEY STOKES). THIS DOCUMENT IS MODIFIED VERSION OF DRAFT ECLA PAPER SAME TITLE (REF A), AND PRESUMABLY REPRESENTS CONSENSUS OF EXPERTS WHICH MET IN SANTIAGO JULY 23-25.

2. ECLA PAPER ON SAFETY NET HAS UNDERGONE CONSIDERABLE EDITORIAL REVISION AND COMPARATIVELY MINOR SUBSTANTIVE ALTERATIONS. SOME LIMITED OFFICIAL USE

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OF MORE IMPORTANT CHANGES ARE DETAILED IN FOLLOWING PARAGRAPHS.

3. TRADE RESTRICTIONS COMMITMENT. REVISED DOCUMENT CALLS FOR GENERAL COMMITMENT BY PARTICIPANTS IN THE SYSTEM "TO AVOID USING RESTRICTIVE TRADE OR INTERNATIONAL PAYMENTS MEASURES" DROPPING THE ORIGINAL VERSION'S QUALIFIER "WITH RESPECT TO OTHER COUNTRIES OF THE SYSTEM."

4. PERIOD OF OPERATION. REVISED DOCUMENT CALLS FOR ESTABLISHMENT OF SYSTEM FOR INITIAL PERIOD OF FIVE YEARS (VICE THREE YEARS); REVIEW AND DECISION ON ITS CONTINUED OPERATIONS AT END OF FOURTH YEAR.

5. VOTING. NEW VERSION WOULD HAVE VOTING SYSTEM DESIGNED TO PERMIT PARTICIPATION OF ASSOCIATE COUNTRIES IN DECISION-MAKING BUT WOULD ADD QUALIFICATION THAT "LATIN AMERICAN CHARACTER OF THE SCHEME" SHOULD NOT BE ADVERSELY AFFECTED.

6. CHARACTERISTICS OF LOANS. RENEWALS OF LOANS WOULD BE "SUBJECT TO THE UNANIMOUS APPROVAL OF THE EXECUTIVE BODY OF THE SYSTEM." REVISED DOCUMENT, HOWEVER, DROPS CONDITION ON LARGE DRAWINGS THAT BORROWERS "UNDERTAKE TO REACH SPECIFIC QUANTITATIVE TARGETS" AND PENALTY SUSPENDING DRAWINGS FOR FAILURE TO ATTAIN SUCH TARGETS.

7. SCOPE OF THE SYSTEM. NEW VERSION IMPLIES ACTIVE PURSUIT OF SUPPORT FROM COUNTRIES AND ORGANIZATIONS OUTSIDE THE REGION. ORIGINAL DRAFT HAD BEEN PASSIVE ON SOLICITING NON-REGIONAL CONTRIBUTIONS WHILE RECOGNIZING THEY WERE ESSENTIAL TO ESTABLISHMENT OF NEW FACILITY.

8. COMMENT: ECLA CONSULTANT CARLOS MASSAD TOLD EMBOFF AUGUST 12 THAT IN HIS VIEW MOST ENCOURAGING ASPECT OF EXPERTS' MEETING WAS SUPPORT MEXICO AND BRAZIL HAD GIVEN TO SAFETY NET CONCEPT. ECLA HAD BEEN FEARFUL THAT BRAZIL AND MEXICO HAVING ACCESS TO INTERNATIONAL CAPITAL MARKET WOULD BE RELUCTANT TO ENDORSE FACILITY WHICH MIGHT COMPETE WITH THEIR PLACEMENTS ABROAD. MASSAD ADDED THAT LA SAFETY NET WOULD BE DISCUSSED AT IMF/IBRD MEETING.  
POPPER

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## Message Attributes

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**Disposition Case Number:** n/a  
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**TAGS:** EFIN, ECIN, CI, XM, ECLA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006